

Department of Insurance

Analyst: Freeman

Historical Summary

OPERATING BUDGET	FY 2000 Actual	FY 2001 Actual	FY 2002 Approp	FY 2003 Request	FY 2003 Gov Rec
BY PROGRAM					
Insurance Regulation	4,251,600	4,836,600	5,354,500	5,158,800	5,096,600
State Fire Marshal	733,100	829,300	859,700	843,400	833,300
Total:	4,984,700	5,665,900	6,214,200	6,002,200	5,929,900
BY FUND CATEGORY					
Dedicated	4,809,500	5,480,600	6,010,200	5,845,400	5,775,100
Federal	175,200	185,300	204,000	156,800	154,800
Total:	4,984,700	5,665,900	6,214,200	6,002,200	5,929,900
Percent Change:		13.7%	9.7%	(3.4%)	(4.6%)
BY OBJECT OF EXPENDITURE					
Personnel Costs	3,082,000	3,354,300	3,830,200	3,830,100	3,796,100
Operating Expenditures	1,764,900	1,999,400	2,095,000	2,058,100	2,019,800
Capital Outlay	135,300	307,200	286,500	111,500	111,500
Trustee/Benefit	2,500	5,000	2,500	2,500	2,500
Total:	4,984,700	5,665,900	6,214,200	6,002,200	5,929,900
Full-Time Positions (FTP)	64.50	68.50	68.50	68.50	68.50

Department Description

The Department of Insurance has two budgeted programs: Insurance Regulation and the State Fire Marshal.

The Insurance Regulation Program consists of three bureaus:

(1) The Company Activities Bureau is charged with monitoring the financial condition of all insurance entities licensed or approved to sell insurance in this state to ensure that each will be able to meet its obligations to policyholders and creditors. This bureau reviews insurance policy rates and forms to assure compliance with Idaho Code, and collects insurance premium taxes and audits insurance tax and fee returns. The Company Activities Bureau also collects the arson, fire and fraud assessment used to fund the State Fire Marshal.

(2) The Consumer Services Bureau licenses insurance agents, brokers, insurance counselors, third party administrators, adjusters, and managing general agents. This bureau provides information to those who need assistance in insurance matters, analyzes consumer and industry complaints, and investigates alleged criminal and administrative violations of the law. Investigators work with state and local law enforcement agencies in the prosecution of those violations. The Consumer Services Bureau is also responsible for the Senior Health Insurance Benefits Advisors (SHIBA), a network of volunteers that provides information and counseling to senior citizens.

(3) The Support Services Bureau provides fiscal, purchasing, information technology, and personnel services to the Division of Insurance and the Division of the State Fire Marshal.

The State Fire Marshal focuses on fire prevention and arson investigation. This is done by enforcing the Uniform Fire Code, investigating suspected arson or fraud, and educating the public in matters of fire prevention and hazardous conditions in buildings or premises.

Department of Insurance

Analyst: Freeman

Comparative Summary

Decision Unit	AGENCY REQUEST		GOVERNOR'S REC	
	General	Total	General	Total
FY 2002 Original Appropriation	0	6,214,200	0	6,214,200
Removal of One-Time Expenditures	0	(385,000)	0	(385,000)
Base Reduction	0	(60,700)	0	(60,700)
FY 2003 Base	0	5,768,500	0	5,768,500
Personnel Cost Rollups	0	18,300	0	18,300
Inflationary Adjustments	0	26,800	0	0
Replacement Items	0	111,500	0	111,500
Nonstandard Adjustments	0	43,100	0	31,600
Change in Employee Compensation	0	34,000	0	0
FY 2003 Total	0	6,002,200	0	5,929,900
Change from Original Appropriation	0	(212,000)	0	(284,300)
% Change from Original Appropriation		(3.4%)		(4.6%)
Change in FTP's		0.00		0.00

Department of Insurance

Analyst: Freeman

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2002 Original Appropriation					
	68.50	0	6,010,200	204,000	6,214,200
Removal of One-Time Expenditures					
Remove funding provided for one-time items. This decision unit also moves 1 FTP from federal to dedicated funds to accurately reflect the current employment status and method of funding the Senior Health Insurance Benefits Advisors program with a mix of dedicated and federal funds.					
Agency Request	0.00	0	(385,000)	0	(385,000)
Governor's Recommendation	0.00	0	(385,000)	0	(385,000)
Base Reduction			Insurance Regulation		
Removal of Medicare+ Choice and Prudential Training Fine monies. The Department of Insurance has decided to no longer participate in the Medicare+ Choice program. The Prudential Training monies were the result of a settlement, the funding from which sunsets in FY 2002.					
Agency Request	0.00	0	(11,500)	(49,200)	(60,700)
Governor's Recommendation	0.00	0	(11,500)	(49,200)	(60,700)
FY 2003 Base					
Agency Request	68.50	0	5,613,700	154,800	5,768,500
Governor's Recommendation	68.50	0	5,613,700	154,800	5,768,500
Personnel Cost Rollups					
Includes the employer portion of estimated changes in employee benefit costs.					
Agency Request	0.00	0	18,300	0	18,300
Governor's Recommendation	0.00	0	18,300	0	18,300
Inflationary Adjustments					
Includes a general inflationary increase of 1.7% in operating expenditures.					
Agency Request	0.00	0	26,000	800	26,800
The Governor recommends no increase for inflation.					
Governor's Recommendation	0.00	0	0	0	0
Replacement Items					
INSURANCE - Replacement Capital Outlay: 26 PCs (\$42,900), Laptop (\$3,000), Laptop with docking station (\$3,500), server (\$30,000), six printers (\$6,400), two photocopiers (\$10,000). FIRE MARSHALL - PC (\$1,700), two laptops with docking station (\$7,000), three laser printers (\$3,000), photocopier (\$2,500), and fax machine (\$1,500).					
Agency Request	0.00	0	111,500	0	111,500
Governor's Recommendation	0.00	0	111,500	0	111,500
Nonstandard Adjustments					
Reflects an adjustment in Attorney General, Controller and Treasurer fees pursuant to the Statewide Cost Allocation Plan, and an increase in building services space charge.					
Agency Request	0.00	0	42,900	200	43,100
The Governor recommends no adjustment to building space charges for state agencies.					
Governor's Recommendation	0.00	0	31,600	0	31,600
Change in Employee Compensation					
Reflects the cost of a 1% salary increase for permanent and group positions.					
Agency Request	0.00	0	33,000	1,000	34,000
The Governor recommends state employee compensation increases to be made from salary savings.					
Governor's Recommendation	0.00	0	0	0	0

Department of Insurance

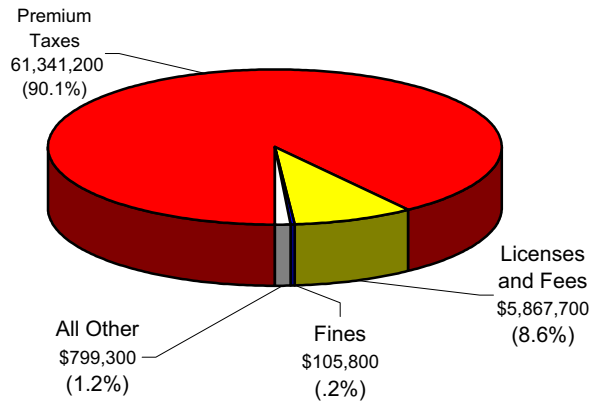
Analyst: Freeman

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2003 Total					
Agency Request	68.50	0	5,845,400	156,800	6,002,200
<i>Governor's Recommendation</i>	<i>68.50</i>	<i>0</i>	<i>5,775,100</i>	<i>154,800</i>	<i>5,929,900</i>
Agency Request					
Change from Original App	0.00	0	(164,800)	(47,200)	(212,000)
% Change from Original App	0.0%		(2.7%)	(23.1%)	(3.4%)
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>0.00</i>	<i>0</i>	<i>(235,100)</i>	<i>(49,200)</i>	<i>(284,300)</i>
<i>% Change from Original App</i>	<i>0.0%</i>		<i>(3.9%)</i>	<i>(24.1%)</i>	<i>(4.6%)</i>

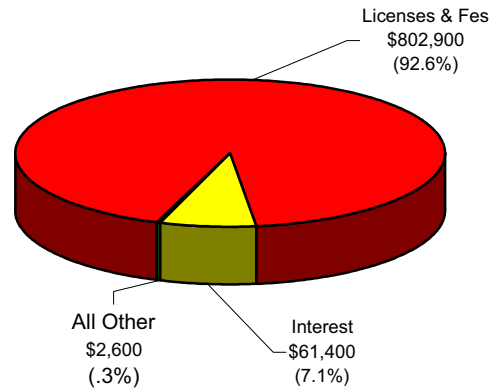
Department of Insurance Issues & Information

Analyst: Freeman

FY 2001 Actual Revenues
Insurance Reg. Fund - Dedicated
Total - \$68,114,000

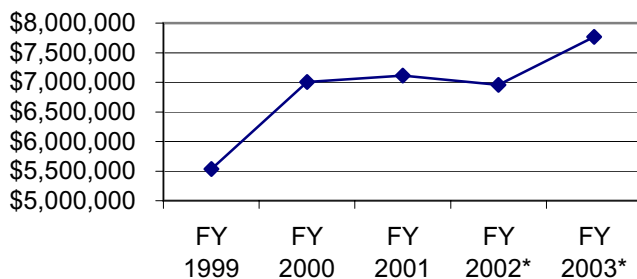


FY 2001 Actual Revenues
Arson Fire & Fraud - Dedicated
Total - \$866,900

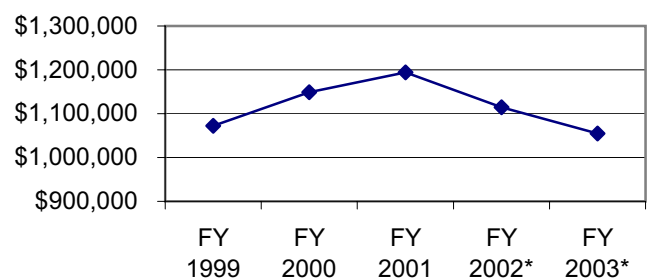


FREE FUND BALANCES

Insurance Administration Fund
FY 2001 Actual - \$7,111,000

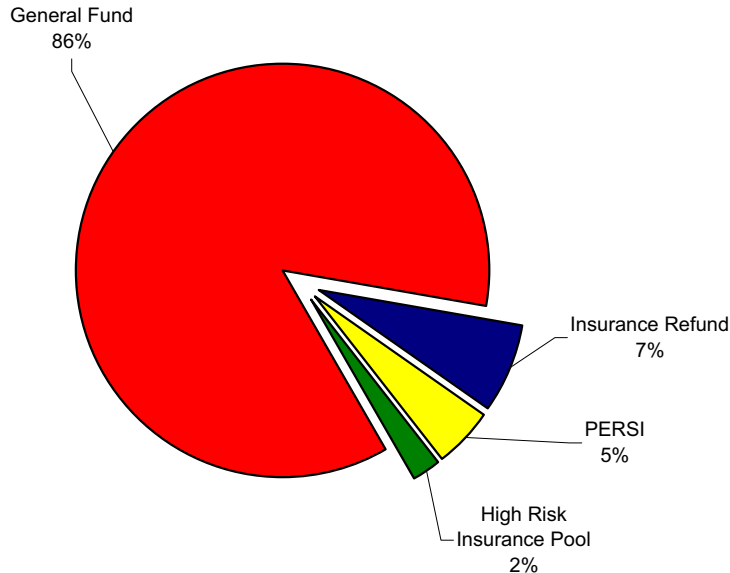


Arson Fire & Fraud Fund
FY 2001 Actual - \$1,193,900



* Figures are based on revenue projections for FY 2002 & FY 2003 and original agency budget request for FY 2003.

Premium Tax Distribution



Revenue from the premium tax is distributed to the following funds:

GENERAL FUND: the premium tax is paid in lieu of all other taxes (corporate income, franchise, property, excise, etc.). All revenue from fines are also transferred to the General Fund.

INSURANCE REFUND: used to reimburse insurers for overpayment of taxes, fines, penalties, etc.

PERSI: 50% of the gross tax on fire insurance premiums is used to partially fund the firefighter retirement system.

HIGH RISK INSURANCE POOL: If premium tax revenue exceeds \$45 million after all other deductions, 25% of the excess goes into the Individual High Risk Insurance Pool to pay the costs associated with providing health insurance coverage to high risk individuals regardless of health status or claims experience.

FY 2001 Premium Tax Revenue = **\$61,341,200**

FY 2001 Premium Tax Distribution = **\$63,470,000***

* Distributions exceeded actual revenues by slightly more than \$2 million because the Department made two cash transfers to the General Fund pursuant to Idaho Code §41-402(3)(e) which provides: "At the beginning of each fiscal year, those moneys in the insurance administrative account which exceed the current year's appropriation plus any residual encumbrances made against prior years' appropriations by twenty-five percent (25%) or more shall be transferred to the general [fund]."

Distribution of Premium Tax Revenues FY 2000 - FY 2003

	FY00 Act.	FY01 Act.	FY02 Est.	FY03 Est.
General Fund	\$ 46,431,900	\$ 54,636,300	\$ 50,467,100	\$ 50,484,400
Insurance Refund	\$ 9,275,400	\$ 4,402,400	\$ 3,823,200	\$ 4,067,000
PERSI	\$ 2,744,200	\$ 2,965,000	\$ 3,039,100	\$ 3,115,100
High Risk Insurance Pool	N/A	\$ 1,465,200	\$ 1,547,800	\$ 1,828,100